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Testimony on HBs 5417 & 5418, 5421 & 5422
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Thank you, Chairman Ebli, for the opportunity to testify today on an issue of great importance to Michigan's retail industry as a whole and to every retail business in this state regardless of size.

I am Jim Hallan, president and chief executive officer of the Michigan Retailers Association, a statewide trade association based here in Lansing. We represent some 5,000 members and their more than 12,000 general-merchandise stores throughout the state — everyone from the largest regional chains to the smallest family-owned shops.

I am here today to urge you in the strongest of terms to reject House Bills 5421 and 5422, along with House Bills 5417 & 5418.

Michigan's retail industry takes strong exception to having its fees for services to the State of Michigan sharply reduced in the current budget discussions. This amounts to nothing less than a new tax on the retail business community, pure and simple. It is unfair, unwise and will cause further damage to Michigan's fragile economy.

Let's focus on the sales tax collection allowance for a moment. Long provided by law to all retail businesses in this state, the collection allowance is payment for services rendered to state government for the retailer's mandated role as "tax collector" for state government.

The collection allowance is a specific acknowledgement that collecting and remitting sales taxes to the state treasury costs businesses time and money. In effect, the thousands of retail businesses in this state serve as vendors to state government and are entitled to adequate reimbursement for their services. Does the committee intend to cut payments to every vendor to state government by a similar percentage?

And if you question the value of the service retailers provide for this allowance, need we remind you of the hundreds of millions of dollars in tax revenues that are lost when the state relies on *voluntary* sales and use tax payments from catalog and Internet shoppers?

We understand the need for the state to find new revenue. We heartily suggest that a better and far more productive avenue would be for state officials to work with Congress to come

up with a way to collect the billions of uncollected taxes from Internet sales, rather than picking the pockets of brick-and-mortar, Main Street retailers.

In fact, the collection allowance to retailers is already capped at a low level and does not cover the full costs of collection and remittance. A better argument can be made that the state ought to be increasing, not considering cutting, this allowance.

My final point is that the collection allowance was negotiated and became law at the same time that sales taxes were first enacted, not after the fact. State lawmakers established the allowance along with the new tax in recognition of the legitimate costs and administrative burdens of providing this valuable service to the State of Michigan.

The same can be said for the unfairness of reducing the sales tax deduction on bad debt, as House Bills 5417 and 5418 would do. This is an issue of simple fairness. The retailer has paid the sales tax in full, then when the sale becomes uncollectible, this legislation would say that the retailer can only deduct 80 percent of the loss. It defies logic. It amounts to the retailer being taxed on a sale that never occurred. Is that fair?

Surely, this committee does not need another reminder that retailers have been fighting for their lives in this economy. Many have closed their doors, including family-owned businesses that have operated in Michigan for nearly 100 years. And many more are struggling to hang on, month by month. Taking more than \$17 million away from these Michigan businesses through this legislation would make an already tough situation unbearable.

The loss of even more retail businesses, of course, will only further reduce the state's tax base and tax revenues.

I also must remind you that retailers, unlike manufacturers, are not recipients of MEGA tax credits and other tax inducements to continue operating in Michigan. Retailers pay full freight — and have been doing so for decades.

For these reasons, I urge you to exercise wise public policy — and fairness — by allowing these bills to die in committee.

Thank you for the opportunity to testify, and I welcome any questions you may have.